

Fairchild C-119

Facts Re Contract and McCone-Kaiser Relationship

Mr. McCone and Mr. Kaiser together with a number of others were associated in shipbuilding during the war. All such mutual undertakings were dissolved shortly after World War II, and many years prior to Mr. McCone's appointment as Under Secretary of the Air Force. Therefore, his statement in June 1953 that he had no business relationship with Kaiser for many years, was correct.

The statement made on July 3, 1958, at the hearing before the Joint Committee on Atomic Energy regarding the jointly owned company to move bauxite for Kaiser Aluminum Company was also correct--this company was formed in mid-1956, and grew out of Mr. McCone's successful bid, in competition with a great many shipping companies, for a long-range contract to move bauxite for Kaiser Aluminum.

Sworn testimony received by a subcommittee of the House Armed Services Committee, developed that the award of the C-119 contract to Kaiser-Frazer was made by the Air Materiel Command, approved by the Air Staff and then approved by Mr. McCone as Under Secretary. This contract was necessary to meet a Presidential Directive for a rapid expansion of airplane production capacity and a directive of the Secretary of Defense to establish second sources for all planes which were needed in quantity to meet mobilization requirements decided upon after the outbreak of the Korean War.

Fairchild's Hagerstown capacity was employed to its limit and the judgment was made by the Air Force, and approved by Mr. McCone that the second source should be Willow Run.

Fairchild C-119

Drew Pearson Allegations

1. On Radio January 13, 1962

"He also awarded his wartime partner, Henry Kaiser, with a quickie airplane contract at an exorbitant price, when he, McCone, became Under Secretary of the Air Force."

2. January 10 article

"...as Under Secretary of the Air Force he awarded a Flying Boxcar contract to the Kaiser-Frazer Company for three times the price the Government was paying to the Fairchild Corporation."

"In 1950 Kaiser had a heavy overhead, a factory at Willow Run, Mich. which was closing down, and a large supply of machinery on hand."

"Kaiser's close associate with whom he had been engaged in West Coast shipbuilding, John McCone, got him off the hook. McCone produced a quickie contract to manufacture the C-119, or Flying Boxcar."

3. January 11 article

"He has had a continuing close financial connection with the Henry J. Kaiser interests . . ."

"On July 3, 1958, McCone said "Yes, I have some business relationships with Kaiser inasmuch as a jointly owned company, 25% of which is owned by Hendy and 50% by Kaiser Aluminum, has a long-range contract to transport Kaiser's bauxite from Jamaica to Baton Rouge"

Yet when McCone was being investigated regarding the C-119 contract in June 1953, he claimed, "I have had no business relationship with Kaiser for years."

4. January 25, article

"McCone as Under Secretary of the Air Force, had participated in awarding a juicy airplane contract to Henry Kaiser, a former business associate. Kaiser-Frazer promptly ran up the cost of producing the C-119 Flying Boxcar nearly five times the previous price."